

**HURON COUNTY TRANSIT FUNDS
Bad Axe, Michigan**

Component Units' Financial Statements

Annual Financial Report

September 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name HURON TRANSIT CORP	County HURON
Fiscal Year End 9/30/2006	Opinion Date 3/23/2007	Date Audit Report Submitted to State 4/02/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No conditions requiring comment	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ROBSON & McCALLUM, CPA'S		Telephone Number 810-664-2961	
Street Address 624 W. Nepessing St.		City LAPEER	State MI
Zip 48446			
Authorizing CPA Signature 	Printed Name SCOTT A. McCALLUM	License Number 15463	

**Huron Transit Corporation
Annual Financial Report
For the Fiscal Year Ended September 30, 2006**

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ROBSON AND McCALLUM
Certified Public Accountants

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Carole A. Robson, CPA • Scott A. McCallum, CPA • Members AICPA and MACPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Huron Transit Funds
Bad Axe, Michigan 48413

We have audited the component unit financial statements of the Huron Transit Funds, a component unit of the County of Huron, as of and for the year ended September 30, 2006 as listed in the table of contents. These financial statements are the responsibility of the management of the Corporation and the County of Huron. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements present fairly, in all material respects, the financial position of the Huron Transit Funds at September 30, 2006, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have issued our report dated March 23, 2007 on our consideration of Huron Transit Funds's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the component unit financial statements of Huron Transit Funds, County of Huron, taken as whole. The accompanying financial information listed as supplementary financial information in the table of contents, including the Schedule of Federal and State Financial Assistance as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements of Huron Transit Funds. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Huron Transit Funds has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.


Robson and McCallum
March 23, 2007

HURON COUNTY TRANSIT FUNDS
STATEMENT OF NET ASSETS
September 30, 2006

	<u>GOVERNMENTAL ACTIVITY HURON TRANSIT FUND</u>	<u>BUSINESS TYPE ACTIVITY HURON TRANSIT CORPORATION</u>
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	\$ 746,633	\$ 52,346
Accounts Receivable		62,586
Operating Grants Receivable	39,706	
Due from Other Fund	41,304	
Prepaid Expenses		27,490
Inventory		<u>7,264</u>
Total Current Assets	<u>\$ 827,643</u>	<u>\$ 149,686</u>
Property and Equipment		
Land	\$ -0-	\$ 17,500
Operating Facility		1,120,719
Equipment		409,189
Vehicles:		
Revenue		2,325,784
Other		<u>42,515</u>
Total Property and Equipment	\$ -0-	\$ 3,915,707
Less: Accumulated Depreciation	<u>-0-</u>	<u>(2,698,173)</u>
Net Capital Assets	<u>\$ -0-</u>	<u>\$ 1,217,534</u>
Total Assets	<u>\$ 827,643</u>	<u>\$ 1,367,220</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts Payable	\$ -0-	\$ 65,409
Compensated Absences		39,851
Accrued Wages		13,215
Due to Other Fund		41,304
Operating Grants Payable	<u>81,010</u>	
Total Current Liabilities	<u>\$ 81,010</u>	<u>\$ 159,779</u>
<u>NET ASSETS</u>		
Investment in Capital Assets	\$ -0-	\$ 1,217,534
Unrestricted (Deficit)	<u>746,633</u>	<u>(10,093)</u>
Total Net Assets	<u>\$ 746,633</u>	<u>\$ 1,207,441</u>

HURON COUNTY TRANSIT FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET ASSETS
Year Ended September 30, 2006

	<u>GOVERNMENTAL ACTIVITY HURON TRANSIT FUND</u>	<u>BUSINESS TYPE ACTIVITY HURON TRANSIT CORPORATION</u>
Operating Revenues		
Demand Response	\$ -0-	\$ 119,630
Contract Fares		205,319
Freight Revenue		3,702
Insurance Refunds		<u>5,883</u>
Total Operating Revenues	<u>\$ -0-</u>	<u>\$ 334,534</u>
Operating Expenses	\$ -0-	\$(1,820,843)
Operating Loss	<u>-0-</u>	<u>(1,486,309)</u>
Non-Operating Revenues		
Local Revenues - Property Taxes	\$ 283,450	\$ -0-
State Operating Grants - Act 51 05-06	538,080	
State Operating Grants - Act 51 Prior Years (Net)	11,874	
State Capital Grants	53,421	
Federal Operating Grants - Section 5311	233,027	
Federal Capital Grants	213,804	
Gain on Sale of Capital Assets		34,410
Transfers under Operations Contract		1,270,658
Interest Income	<u>25,439</u>	
Total Non-Operating Revenues	<u>\$ 1,359,095</u>	<u>\$ 1,305,068</u>
Non-Operating Expenses		
Transfers Under Operations Contract	<u>1,270,658</u>	<u>-0-</u>
Increase (Decrease) in Net Assets	88,437	(181,241)
Net Assets - October 1, 2005	<u>658,196</u>	<u>1,388,682</u>
Net Assets - September 30, 2006	<u>\$ 746,633</u>	<u>\$ 1,207,441</u>

HURON TRANSIT CORPORATION
STATEMENT OF CASH FLOWS - BUSINESS TYPE ACTIVITY
Year Ended September 30, 2006

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows From Operating Activities

Cash From Customers	\$ 337,762
Cash From Insurance Refunds	5,883
Payments to Suppliers	(709,245)
Payments to Employees	(648,974)
Net Cash Used by Operating Activities	<u>\$ (1,014,574)</u>

Cash Flows From Non-Capital Financing Activities

Transfers under Operations Contract	\$ 1,270,658
Net Cash Flows Provided by Non-Capital Financing Activities	<u>\$ 1,270,658</u>

Cash Flows From Capital and Related Financing Activities

Capital Assets Purchased	\$ (267,225)
Net Cash Flows from Capital and Related Financing Activities	<u>\$ (267,225)</u>
Net Increase in Cash	\$ (11,141)
Cash - October 1, 2005	<u>63,487</u>
Cash - September 30, 2006	<u><u>\$ 52,346</u></u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (1,486,309)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	446,509
(Increase) Decrease in	
Accounts Receivable - Customers	10,030
Prepaid Expenses	5,881
Inventory	9,416
Increase (Decrease) in	
Accounts Payable	17,937
Accrued Wages	156
Compensated Absences	(3,788)
Due to Other Funds	(10,111)
Accrued Payroll Taxes	<u>(4,295)</u>
Net Cash Used by Operating Activities	<u><u>\$ (1,014,574)</u></u>

HURON COUNTY TRANSIT FUNDS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF REPORTING ENTITY:

As a component unit of the County of Huron, the Corporation has entered into a contract with the County to operate a county-wide transportation system with financial assistance provided by Act No. 51 of the Public Acts of 1951 and Section 5311 of the Federal Transit Law of 1964. The Huron County transit operations are accounted for in a special revenue fund, the Huron Transit Fund, and an enterprise fund, the Huron Transit Corporation. The Huron County Transit Funds have no oversight responsibility, accordingly, there are no other governmental entities included in the component unit financial statements.

The accounting policies of the Huron County Transit funds conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

BASIS OF ACCOUNTING:

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable; expenditures are recognized when they become a liability. Enterprise funds are accounted for using the full accrual basis of accounting. The full accrual basis of accounting provides that revenues are recorded when earned and expenditures are recorded when the liability is incurred.

GOVERNMENTAL TYPE FUNDS ACTIVITIES:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

BUSINESS TYPE FUNDS ACTIVITIES:

Enterprise Funds - Enterprise Funds are used to account for operations (A) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (B) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

PROPERTY TAXES:

Property taxes are levied on each December 1st on the State equalized value of property located in the County as of the preceding December 31st. Taxable values are based on assessed values which are established annually and equalized by the State at an estimated 50% of current market value.

The 2005 State taxable valuation of the County totaled over \$1.4 million on which .1991 mills were levied for public transportation services. Taxes are payable without a penalty through February 14. Delinquent taxes are purchased by the County Revolving Fund which remits these taxes to the Transit Fund.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Michigan Public Act No. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended September 30, 2006, expenditures in the Huron Transit Special Revenue Fund incurred no expenditures in excess of the amount appropriated.

HURON COUNTY TRANSIT FUNDS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

CREDIT RISK:

Deposits are carried at cost. Deposits are in one financial institution in the name of the County. Michigan Compiled Laws, Section 129.91, authorizes the County to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent of any one fund. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

CASH, CASH EQUIVALENTS, AND INVESTMENTS:

For purposes of the statement of cash flows, demand deposits and short-term investments with a maturity date of three months or less when acquired are considered to be cash equivalents.

CUSTODIAL CREDIT RISK:

The deposits of the Huron Transit Fund and the Huron Transit Corporation are in accordance with statutory authority.

At September 30, 2006, the balance sheet carrying amount of deposits was \$798,979 and the bank balance as of September 30, 2006 was \$803,098. Cash accounts are pooled with the funds of other County entities and are considered as one insurable entity for the purposes of FDIC insurance. Accordingly, none of the cash deposits are insured.

INVENTORY:

Inventories consist of replacement parts and fuel which are valued at the lower of cost or market. Office supplies are not included in inventories.

CAPITAL ASSETS:

The Corporation defines capital assets as assets with an initial, individual cost of more than \$5,000, except for assets purchased with Federal and/or State grants which are capitalized regardless of amount, and an estimated useful life in excess of one year. Donated assets are valued at their estimated fair market value on the date donated. Provisions for depreciation of building, improvements and equipment are computed on the straight-line method over the assets useful life as listed on the following schedule.

Depreciation expense on assets purchased with Federal and/or State grants are subtracted out as ineligible for operating assistance calculations.

MAJOR CLASSES OF CAPITAL ASSETS CONSIST OF THE FOLLOWING:

	<u>USEFUL LIVES</u>	<u>PURCHASED WITH AUTHORITY FUNDS</u>	<u>PURCHASED WITH CAPITAL GRANTS</u>	<u>TOTAL</u>
Capital Assets Not Being Depreciated				
Land	N/A	\$ 17,500	\$ -0-	\$ 17,500
Other Capital Assets				
Buildings and Improvements	20-30 Years	11,789	1,108,930	1,120,719
Vehicles	4-12 Years	27,406	2,340,893	2,368,299
Office Equipment	4-10 Years	37,627	135,863	173,490
Maintenance Equipment	3-10 Years	16,245	80,204	96,449
Communications and Video	6-10 Years	7,562	131,688	139,250
Total Capital Assets		\$ 118,129	\$ 3,797,578	\$ 3,915,707
Less: Accumulated Depreciation		(87,954)	(2,610,219)	(2,698,173)
Net Property and Equipment		\$ 30,175	\$ 1,187,359	\$ 1,217,534

HURON COUNTY TRANSIT FUNDS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

ADDITIONS AND DISPOSALS FOR THE YEAR ENDED SEPTEMBER 30, 2006 ARE AS FOLLOWS:

	<u>BALANCE</u> <u>10/01/05</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>BALANCE</u> <u>9/30/06</u>
Capital Assets Not Being Depreciated				
Land	\$ 17,500	\$ -0-	\$ -0-	\$ 17,500
Capital Assets Being Depreciated				
Building and Improvements	\$ 1,120,719	\$ -0-	\$ -0-	\$ 1,120,719
Vehicles	2,491,566	267,225	(390,492)	2,368,299
Office Equipment	173,490			173,490
Maintenance Equipment	96,449			96,449
Communications and Video	139,250			139,250
Total Capital Assets Being Depreciated	\$ 4,021,474	\$ 267,225	\$ (390,492)	\$ 3,898,207
Less Accumulated Depreciation for				
Building and Improvements	\$ 731,436	\$ 56,649	\$ -0-	\$ 788,085
Vehicles	1,650,380	366,391	(390,492)	1,626,279
Office Equipment	101,911	7,754		109,665
Maintenance Equipment	80,020	1,933		81,953
Communications and Video	78,409	13,782		92,191
Total Accumulated Depreciation	2,642,156	466,509	(390,492)	2,698,173
Net Capital Assets Being Depreciated	1,379,318	(179,284)	-0-	1,200,034
Net Capital Assets	<u>\$ 1,396,818</u>	<u>\$ (179,284)</u>	<u>\$ -0-</u>	<u>\$ 1,217,534</u>

RISK FINANCING:

The Huron Transit Corporation is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors and omissions. The Corporation is a member of the Michigan Transit Pool (a group self insurance pool) to account for and finance these risks of loss. Currently, the pool has two separate loss protection programs known as (1) the Liability Coverage Program and (2) the Direct Property Damage Coverage Program. The Liability Coverage Program provides coverage for motor vehicle liability as required by state law and general liability coverage. The Direct Property Damage Coverage Program provides coverage for collision losses, comprehensive losses, and losses of use.

Payments ("premiums") charged to members participating in the Liability Coverage Program and the Direct Property Damage Coverage Program are determined in amounts pursuant to cost allocation plans for each program. However, both of the programs involve the transferring of risk of loss amongst members, and premiums are subject to retrospective adjustments to prior years. Generally, the Corporation's maximum loss per occurrence is limited as follows:

	<u>DEPOSIT</u> <u>PREMIUMS</u>	<u>MAXIMUM</u> <u>RETENTION PER</u> <u>OCCURRENCE</u>	<u>COVERAGE LIMIT</u> <u>PER OCCURRENCE</u>
Motor Vehicle and General Liability	\$ 65,878	\$ 100,000	\$ 1,000,000
Direct Property Damage	\$ 15,985	\$ 10,000	Book Value of Property

If a loss is greater than the retention amount, the difference is covered by excess insurance carriers.

Members pay directly the first \$2,000 of each loss. The next \$8,000 is also the member's responsibility, but comes from the member's premium deposit. Loss amounts above \$10,000 are pooled, and shared between all program members, based upon the relative book values of each respective member. Comprehensive losses over \$50,000 are covered by the excess insurance carrier.

The Corporation reports its required contribution to these programs as insurance expense for the period of coverage. Additional assessments which are considered likely are accrued in accordance with FASB Statement No. 5.

HURON COUNTY TRANSIT FUNDS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

ACCOUNTS RECEIVABLE:

Receivables have been recognized for all significant amounts due the Huron County Transit Funds. Valuation reserves have not been provided because the collection thereof is not considered doubtful.

DEFERRED COMPENSATION:

Huron Transit Corporation offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in a custodial account as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of Huron Transit Corporation for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in Huron Transit Corporation's financial statements. Employer contributions for the year were \$1,590.

At no time during the fiscal year did the Corporation's pension plan investment portfolio use derivative instruments or products.

COMPENSATED ABSENCES:

Vacation leave is earned in varying amounts depending on the number of years of service of an employee and is made available to the employees monthly, not to exceed a total accumulation of twenty days. Vacation pay leave is payable at 100% to employees when they terminate employment.

Sick leave is accumulated at the rate of one day for each month of service, not to exceed a total accumulation of sixty days for full-time employees. Sick leave is payable at 50% to employees when they voluntarily terminate employment, 0% for involuntary termination.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HURON TRANSIT CORPORATION
OPERATING EXPENSES
Year Ended September 30, 2006
Schedule 1

	<u>OPERATIONS</u>	<u>MAINTENANCE</u>	<u>GENERAL ADMINISTRATION</u>	<u>TOTAL SYSTEM</u>
Operating Expenses				
Labor				
Operator	\$ 408,790	\$ -0-	\$ -0-	\$ 408,790
Other Wages		46,178	102,551	148,729
Dispatcher Wages	47,664			47,664
Fringe Benefits	224,871	21,131	56,734	302,736
Advertising			8,139	8,139
Services	2,156	14,669	20,179	37,004
Materials and Supplies Consumed				
Fuel and Lubricants	206,586			206,586
Other Materials and Supplies		72,070	12,245	84,315
Utilities	30,554			30,554
Casualty and Liability Costs				
Premiums for Public Liability and Property Damage Insurance	89,017			89,017
Premiums - Other Corporate Insurance			4,870	4,870
Miscellaneous				
Travel and Meetings			2,271	2,271
Dues and Subscriptions			3,659	3,659
Depreciation and Amortization	<u>432,687</u>	<u>1,933</u>	<u>11,889</u>	<u>446,509</u>
Total Operating Expenses	<u>\$ 1,442,325</u>	<u>\$ 155,981</u>	<u>\$ 222,537</u>	<u>\$ 1,820,843</u>

HURON TRANSIT CORPORATION
SCHEDULE OF EXPENSES BY CONTRACT AND GENERAL OPERATIONS
Year Ended September 30, 2006
Schedule 2

	RURAL TRANSIT ASSISTANCE PROGRAM	GENERAL OPERATIONS	TOTAL
Labor	\$ -0-	\$ 605,183	\$ 605,183
Fringe Benefits		302,736	302,736
Advertising		8,139	8,139
Services		37,004	37,004
Materials and Supplies		290,901	290,901
Utilities		30,554	30,554
Casualty and Liability Costs		93,887	93,887
Miscellaneous Expense		5,930	5,930
Depreciation		<u>446,509</u>	<u>446,509</u>
	<u>\$ -0-</u>	<u>\$ 1,820,843</u>	<u>\$ 1,820,843</u>

HURON TRANSIT CORPORATION
NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OPERATIONS
Year Ended September 30, 2006
Schedule 3

	FEDERAL SECTION 5311 10/1/05 9/30/06	STATE OPERATING ASSISTANCE 10/1/05 9/30/06
Expenses		
Labor	\$ 605,183	\$ 605,183
Fringe Benefits	302,736	302,736
Advertising	8,139	8,139
Services	37,004	37,004
Materials and Supplies	290,901	290,901
Utilities	30,554	30,554
Casualty and Liability Costs	93,887	93,887
Miscellaneous	5,930	5,930
Depreciation	<u>446,509</u>	<u>446,509</u>
Total Expenses	\$ 1,820,843	\$ 1,820,843
Less: Ineligible Expenses		
Ineligible Dues	\$ 153	\$ 153
Depreciation	<u>440,357</u>	<u>440,357</u>
Total Ineligible Expenses	\$ 440,510	\$ 440,510
Less: Non-Transportation Revenue		
Insurance Refunds	5,883	5,883
Freight Tariffs	<u>3,702</u>	<u>3,702</u>
Net Ineligible Expenses	\$ 450,095	\$ 450,095
Net Eligible Expenses	<u>\$ 1,370,748</u>	<u>\$ 1,370,748</u>
Maximum Section 5311 Reimbursement (17.0%)	<u>\$ 233,027</u>	
Projected State Reimbursement (39.2545%)		<u>\$ 538,080</u>
 <u>MANDATORY FLOOR</u> : State operating grant for fiscal year 1997		 <u>\$ 505,915</u>

HURON TRANSIT CORPORATION
DETAIL OF INELIGIBLE EXPENSES AND REVENUES
Year Ended September 30, 2006
Schedule 4

NON-TRANSPORTATION REVENUE:

Revenue earned from package delivery is deducted as ineligible project revenue for Federal Section 5311 and State Operating Assistance. Insurance premiums refunded by Michigan Transit Pool is deducted from eligible expenses.

NOTE:

Since the Company expended more than \$500,000 in federal funds during the fiscal year 2005, the cost of the audit is eligible for federal reimbursement.

HURON TRANSIT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended September 30, 2006
Schedule 5

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues			
Property Taxes	\$ 275,000	\$ 283,450	\$ 8,450
State Operating Assistance	558,003	549,954	(8,049)
State Capital Assistance	61,859	53,421	(8,438)
Federal Section 5311 Operating Assistance	158,994	233,027	74,033
Federal Capital Assistance	247,436	213,804	(33,632)
Interest	25,000	25,439	439
Rural Transit Assistance Program	<u>2,000</u>	<u>-0-</u>	<u>(2,000)</u>
Total Revenues	\$ 1,328,292	\$ 1,359,095	\$ 30,803
Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess of Revenues Over (Under) Expenditures	\$ 1,328,292	\$ 1,359,095	\$ 30,803
Other Financing Sources (Uses)			
Transfers Under Operations Contract	<u>1,452,000</u>	<u>1,270,658</u>	<u>181,342</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	\$ (123,708)	\$ 88,437	\$ 212,145
Fund Balance - October 1, 2005	<u>658,196</u>	<u>658,196</u>	<u>-0-</u>
Fund Balance - September 30, 2006	<u>\$ 534,488</u>	<u>\$ 746,633</u>	<u>\$ 212,145</u>

See Auditor's Report and Notes to the Financial Statements.

HURON TRANSIT FUNDS
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
Year Ended September 30, 2006
Schedule 6

FEDERAL GRANTOR/PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE GRANTOR NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE AT 10/1/05	CURRENT YEAR RECEIPTS/(PAYMENTS) REVENUE RECOGNIZED	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE AT 9/30/06
Federal Transit Administration Passed through Michigan Department of Transportation	20.509	02-0083/Z10	\$ 233,027	\$ -0-	\$ 195,242	\$ 233,027	\$ 37,785
Operating Assistance - Section 5311		02-0083/Z8		27,573	29,122		(1,549)
		02-0083/Z6		(2,988)			(2,988)
		02-0083/Z4		(4,408)			(4,408)
		02-0047		(1,504)			(1,504)
		99-0072		1,921			1,921
Capital Assistance - Section 5310	20.513	2004-0477	247,436	-0-	213,804	213,804	-0-
Total Federal Financial Assistance			\$ 480,463	\$ 20,594	\$ 438,168	\$ 446,831	\$ 29,257
Michigan Department of Transportation Operating Assistance-Act 51							
Operating Assistance - Act 51, 2005-06			\$ 538,080	\$ -0-	\$ 569,977	\$ 538,080	\$ (31,897)
Operating Assistance - Act 51, 2004-05				(48,060)		9,396	(38,664)
Operating Assistance - Act 51, 2003-04				(26,952)		26,952	-0-
Operating Assistance - Act 51, 2002-03				(5,888)		5,888	-0-
Operating Assistance - Act 51, 2001-02				(7,842)		7,842	-0-
Operating Assistance - Act 51, 2000-01				(11,808)		11,808	-0-
Operating Assistance - Act 51, 1999-00				19,119	37,527	18,408	-0-
Operating Assistance - Act 51, 1998-99				8,174		(8,174)	-0-
Capital Assistance		2004-0477	61,859		53,421	53,421	-0-
Total State Financial Assistance			\$ 599,939	\$ (73,257)	\$ 660,925	\$ 663,621	\$ (70,561)
Total Federal and State Financial Assistance				\$ (52,663)	\$ 1,099,093	\$ 1,110,452	\$ (41,304)

See Auditor's Report and Notes to the Financial Statements.

HURON TRANSIT CORPORATION
MILEAGE DATA (UNAUDITED)
Year Ended September 30, 2006
Schedule 7

PUBLIC
TRANSPORTATION
MILEAGE

Demand - Response

1st Quarter - December 31, 2005	194,211
2nd Quarter - March 31, 2006	185,243
3rd Quarter - June 30, 2006	170,390
4th Quarter - September 30, 2006	<u>150,450</u>
Total Demand - Response	<u>700,294</u>
Total Operation	<u>700,294</u>

The methodology used for compiling the annual mileage has been reviewed and found to be an adequate and reasonable method for recording vehicle mileage.

See Auditor's Report and Notes to the Financial Statements.



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Huron Transit Corporation
Bad Axe, Michigan 48413

We have audited the basic financial statements of the Huron Transit Corporation as of and for the year ended September 30, 2006, and have issued our report thereon dated March 23, 2007. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Huron Transit Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Huron Transit Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robson & McCallum, CPA's
March 23, 2007